COUNTY OF LOS ANGELES
DEPARTMENT OF AUDITOR-CONTROLLER

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JOHN NAIMO
AUDITOR-CONTROLLER

June 12, 2015

TO: Supervisor Michael D. Antonovich, Mayor
Supervisor Hilda L. Solis
Supervisor Mark Ridley-Thomas
Supervisor Sheila Kuehl
Supervisor Don Knabe

FROM: John Naimo
Auditor-Controller

SUBJECT: **PHOENIX HOUSES OF LOS ANGELES, INC. – A DEPARTMENT OF MENTAL HEALTH AND DEPARTMENT OF CHILDREN AND FAMILY SERVICES PROVIDER – FISCAL COMPLIANCE REVIEW**

We completed a fiscal compliance review of Phoenix Houses of Los Angeles, Inc. (Phoenix or Agency), which included a sample of transactions from Fiscal Years (FY) 2012-13 and 2013-14. The Department of Mental Health (DMH) contracts with Phoenix to provide mental health services, including interviewing Program clients, assessing their mental health needs, and implementing treatment plans. The Department of Children and Family Services (DCFS) and the Probation Department also contract with Phoenix to care for foster children placed in the Agency's group home (GH).

The purpose of our review was to determine whether Phoenix appropriately accounted for and spent DMH and GH Program funds to provide services outlined in their County contracts. We also evaluated the adequacy of the Agency's financial records, internal controls, and compliance with their contracts and other applicable guidelines.

During FYs 2012-13 and 2013-14, DMH paid Phoenix approximately $2.2 million and $2.1 million on a cost-reimbursement basis, and DCFS paid the Agency approximately $5.1 million and $5.2 million on a fee-for-service basis. Phoenix provides services in the Third Supervisorial District.

Results of Review

Phoenix recorded and deposited DMH and DCFS cash receipts timely. However, Phoenix did not always comply with their County contract requirements. Specifically, Phoenix:

- Charged the DMH Program $24,227 and the GH Program $799 in unallowable and unsupported questioned costs.

  Phoenix's attached response indicates that they have reduced the DMH Cost Report for FY 2013-14 and will reduce the DMH Cost Report for FY 2012-13 after issuance of this report. In addition, DCFS confirmed that the Agency repaid the GH Program $799 for the unallowable and unsupported questioned costs.

- Inappropriately allocated $454,706 in shared costs ($107,425 to the DMH Program and $347,281 to the GH Program). Specifically, Phoenix did not provide documentation to support the percentages used to allocate shared costs to the DMH and GH Programs.

  In addition, $437,315 (96%) of the $454,706 in shared costs related to a facility leased from a related organization. Office of Management and Budget Circular A-122 limits related party lease costs to the related organization's actual costs of ownership. The Agency's determination of the related organization's actual costs of ownership included the principal portion of their mortgage payments which are not allowable expenses. As a result, the Agency needs to recalculate the related organization's actual costs by excluding the unallowable principal reduction payments. Phoenix must exclude the unallowable costs from its DMH Cost Reports and must repay DCFS its share of the lease payments that exceeded allowable limits.

  Phoenix's attached response indicates that they will review the related party lease costs to determine if costs charged were within the allowable limits. If the Agency determines that they charged the DMH and GH Programs for unallowable costs, the Agency will reduce their DMH Cost Reports, and repay DCFS the unallowable charges. In addition, Phoenix will reallocate the non-lease shared costs and maintain the supporting documentation.

- Inappropriately allocated shared payroll costs totaling $18,006 ($15,425 to the DMH Program and $2,581 to the GH Program). Phoenix did not allocate the employees' salary costs to all programs that benefited from the staff's time.

  Phoenix's attached response indicates that they implemented an allowable method to allocate shared payroll costs, and that they will use the method to reallocate shared expenditures.

In addition, we identified areas where the Agency could strengthen their internal controls over bank reconciliations, Semi-Annual Expenditure Reports, and payroll and personnel records. Details of our review, along with recommendations for corrective action, are discussed in Attachment I.

Review of Report

We discussed our report with Phoenix, DMH, and DCFS on March 18, 2015. Phoenix's attached response (Attachment II) indicates agreement with our findings and recommendations and includes corrective actions planned or taken to address the recommendations in our report. DCFS management indicated they will conduct a review of the Agency's implementation of their corrective action plan within 90 days from today, as noted in Attachment III.

This audit is not intended to be, and does not constitute, the discovery or identification of an overpayment for purposes of the federal Improper Payments Act, related California State laws, including, but not necessarily limited to, Welfare and Institutions Code sections 11466.23, 11466.235, 11466.24, etc., nor State regulations intended to implement either the federal Improper Payments Act or related provisions in State law. This audit is intended solely to assist DMH and DCFS in managing their contractual relationships. Consequently, this report is being forwarded to DMH and DCFS in order that they might take further action, as they deem appropriate, based on its contents. Such further action may, or may not, include the discovery or identification of an overpayment for purposes of federal or State law.

We thank Phoenix management and staff for their cooperation and assistance during our review. If you have any questions please call me, or your staff may contact Don Chadwick at (213) 253-0301.

JN:AB:DC:AA:meb

Attachments

c: Sachi A. Hamai, Interim Chief Executive Officer
Dr. Marvin J. Southard, D.S.W., Director, Department of Mental Health
Philip L. Browning, Director, Department of Children and Family Services
Jerry E. Powers, Chief Probation Officer
Joseph Kelly, Treasurer and Tax Collector
Howard Meitiner, President and CEO, Phoenix
Board of Directors, Phoenix
B. Ray Thomas, Manager, Program/Provisional Unit, CDSS
Commission for Children and Families
Public Information Office
Audit Committee

PHOENIX HOUSES OF LOS ANGELES, INC.
DEPARTMENTS OF MENTAL HEALTH AND CHILDREN AND FAMILY SERVICES PROVIDER FISCAL COMPLIANCE REVIEW FISCAL YEARS 2012-13 AND 2013-14

CASH/REVENUE

Objective

Determine whether Phoenix Houses of Los Angeles, Inc. (Phoenix or Agency) properly recorded revenue in their financial records, deposited cash receipts into their bank accounts timely, and if bank account reconciliations were reviewed and approved by Agency management timely.

Verification

We interviewed Agency personnel, and reviewed their financial records and April 2014 bank reconciliations for two bank accounts.

Results

Phoenix properly recorded revenue in their financial records, and deposited their Department of Mental Health (DMH) and Department of Children and Family Services (DCFS) cash receipts timely. However, the Agency did not resolve outstanding items on their bank reconciliations timely. Specifically, 15 items totaling $33,108 had been outstanding for over six months. In addition, their April 2014 bank reconciliations were not signed and dated by the preparer and reviewer as required by the Auditor-Controller Contract Accounting and Administration Handbook (A-C Handbook) Section B.1.4.

Recommendation

1. Phoenix Houses of Los Angeles, Inc. management ensure reconciliations are signed and dated by the preparer and reviewer, and that outstanding items are resolved timely.

EXPENDITURES/COST ALLOCATION PLAN

Objective

Determine whether Phoenix's Cost Allocation Plan (Plan) complied with their County contracts, and if expenditures charged to the DMH and Group Home (GH) Programs were allowable, properly documented, and appropriately allocated as required by the Office of Management and Budget Circular A-122 (OMB A-122), the A-C Handbook, and their County contracts.

Verification

We interviewed Agency personnel, and reviewed their Plan and financial records for 31 (15 DMH and 16 GH) non-payroll expenditures, totaling $118,869 ($56,728 DMH and $62,141 GH), charged to the DMH and GH Programs from July 2012 through April 2014. We also expanded our review of allocated expenditures.

Results

Phoenix prepared their Plan in compliance with their County contracts. However, the Agency inappropriately charged unallowable and unsupported questioned costs totaling $25,026 (21%) of the $118,869 reviewed.

In addition, the Agency inappropriately allocated shared costs totaling $39,303 (33%) of the $118,869 reviewed. As a result, we expanded our review of allocated costs during the review period and identified a total of $454,706 in inappropriately allocated shared costs ($107,425 DMH and $347,281 GH). Specifically:

DMH Program

Phoenix inappropriately charged the DMH Program unallowable and unsupported questioned costs totaling $24,227 (43%) of the $56,728 reviewed. Specifically, Phoenix charged:

- $19,516 for unallowable professional dues, including $10,649 in Fiscal Year (FY) 2012-13 and $8,867 in FY 2013-14, that did not benefit the DMH Program. OMB A-122 requires allowable costs to be reasonable for the performance of the award. In addition, the A-C Handbook Section C.1.5 states that only costs that are necessary, proper, and reasonable to carry out the purpose of the Program are allowable.

- $4,000 for unallowable consultant costs in FY 2012-13 that were incurred during a prior cost reporting period.

- $711 ($239 in FY 2012-13 and $472 in FY 2013-14) for gift cards that were not supported with signed documentation from the gift card recipients, food expenditures that were not supported by an itemized receipt, and audit fees that were not supported by an engagement letter, invoice, or cancelled check as required by the A-C Handbook Section A.3.2.

GH Program

Phoenix inappropriately charged the GH Program unallowable and unsupported questioned costs totaling $799 (1%) of the $62,141 reviewed. Specifically, Phoenix charged:

- $772 in FY 2012-13 for gasoline that was not supported by receipts as required by the A-C Handbook Section A.3.2.

- $27 in FY 2012-13 for late fees which are unallowable by OMB A-122 Section 16.

The OMB A-122 requires allowable expenditures to be adequately documented. In addition, the A-C Handbook Section A.3.2 states that expenditures must be supported by original vouchers, invoices, receipts, or other supporting documentation, and that unsupported expenditures will be disallowed upon audit.

Shared Costs

Phoenix inappropriately allocated $39,309 ($7,499 DMH and $31,810 GH) of the $118,869 reviewed. As a result, we expanded our review of allocated shared costs and identified a total of $454,706 in inappropriately allocated shared costs ($107,425 DMH and $347,281 GH). Specifically, Phoenix:

- Charged $437,315 in costs for a facility leased from a related organization. We noted that $106,375 ($77,338 in FY 2012-13 and $29,037 in FY 2013-14) was charged to the DMH Program and $330,940 ($176,340 in FY 2012-13 and $154,600 in FY 2013-14) was charged to the GH Program. OMB A-122 limits related party lease costs to the related organization's actual costs of ownership. The Agency's determination of the related organization's actual costs of ownership included the principal portion of their mortgage payments which are not allowable expenses. As a result, the Agency needs to recalculate the related organization's actual costs by excluding the unallowable principal reduction payments. Phoenix must repay DCFS its share of the lease payments that exceeded allowable limits and must exclude the unallowable costs from its DMH Cost Reports.

  In addition, Phoenix allocated shared lease expenditures based on square footage, an allowable cost allocation method. However, Phoenix could not provide documentation to support the square footage amounts that they allocated for each Program. Phoenix needs to determine if lease costs charged to the Programs exceeded allowable limits and reallocate allowable costs based on a documented allowable cost allocation method.

- Inappropriately allocated shared non-lease expenditures totaling $17,391 ($628 in FY 2012-13 and $422 in FY 2013-14) to the DMH Program and ($13,403 in FY 2012-13 and $2,938 in FY 2013-14) to the GH Program. Phoenix did not provide documentation to support the allocation percentages.

The A-C Handbook Section C.2.0 requires agencies to allocate shared costs equitably (i.e., based on the benefits received).

Recommendations

Phoenix Houses of Los Angeles, Inc. management:

2. **Reduce the Fiscal Year 2012-13 Department of Mental Health Cost Report by $14,888 ($10,649 + $4,000 + $239) and the Fiscal Year 2013-14 Department of Mental Health Cost Report by $9,339 ($8,867 + $472) and repay the Department of Mental Health for any excess amounts received.**

3. **Repay the Department of Children and Family Services $799 ($772 unsupported + $27 unallowable) in expenditures.**

4. **Ensure expenditures that are charged to the Group Home and Department of Mental Health Programs are allowable and supported with adequate documentation.**

5. **Determine if related party lease costs charged to the Group Home and Department of Mental Health Programs exceeded allowable limits, and if applicable, repay the Department of Children and Family Services the unallowable costs charged to the Group Home Program and reduce the Department of Mental Health Cost Reports for unallowable costs charged to the Department of Mental Health Program.**

6. **Reallocate allowable shared expenditures using an equitable basis that is supported with documentation.**

FIXED ASSETS AND EQUIPMENT

Objective

Determine whether Phoenix's fixed assets and equipment purchased with DMH and GH Program funds were used for the appropriate Programs and adequately safeguarded.

Verification

We interviewed Agency personnel, and reviewed the Agency's fixed assets and equipment inventory list. We also performed a physical inventory of five items purchased with GH Program funds to verify the items exist and were being used for the GH Program.

Results

Phoenix adequately safeguarded and used the items reviewed for the GH Program.

Recommendation

None.

PAYROLL AND PERSONNEL

Objective

Determine whether Phoenix maintained personnel files as required and if payroll costs charged to the DMH and GH Programs were allowable, properly documented, and appropriately allocated as required by the OMB A-122, the A-C Handbook, and their County contracts.

Verification

We compared the payroll costs for 15 (5 DMH, 9 GH, and 1 shared) employees, totaling $60,524 ($32,324 DMH and $28,200 GH) for March 2014, to the Agency's payroll records and time reports. We also interviewed staff and reviewed their personnel files.

Results

Phoenix inappropriately allocated shared payroll costs totaling $18,006 (30%) of the $60,524 reviewed in FY 2013-14. Specifically, Phoenix allocated 100% of the salary costs reviewed for one employee totaling $15,425 to the DMH Program even though the employee also worked on non-DMH programs. Phoenix also incorrectly charged a portion of an employee's salary costs totaling $2,581 to the GH Program, when they should have allocated the salary to other programs that benefited from the staff's time.

In addition, Phoenix did not maintain payroll and personnel documentation as required. We noted that:

- Three (20%) of the 15 employees' timecards were not signed by the employees and four (27%) were not signed by their supervisors as required by the A-C Handbook Section B.3.1.

- Three (20%) of the 15 employees' current salary rates were not in the employees personnel files as required by the A-C Handbook Section B.3.2.

- Two (13%) of the 15 employees' employment eligibility records were not in the employees personnel files as required by the DMH Contract Paragraph 43.

- One (17%) DMH employee personnel file did not contain the license/degree required by their job description as required by the A-C Handbook Section B.3.2.

Recommendations

Refer to Recommendation 6.

Phoenix Houses of Los Angeles, Inc. management:

7. **Ensure employees' timecards are signed by the employees and their supervisors.**

8. **Maintain the required documentation in employees' personnel files including current salary rates, employment eligibility records, and licenses/degrees for all employees working on the Department of Mental Health and Group Home Programs.**

COST REPORT AND SEMI-ANNUAL EXPENDITURE REPORTS

Objective

Determine whether Phoenix's FY 2012-13 DMH Cost Report and GH Semi-Annual Expenditure Reports (SAERs) reconciled to their financial records. In addition, determine whether the Agency had any unspent GH Program funds.

Verification

We interviewed Agency personnel, and compared their FY 2012-13 DMH Cost Report and GH SAERs to their financial records.

Results

Phoenix's FY 2012-13 DMH Cost Report and GH SAERs reconciled to their financial records. However, Phoenix's GH SAERs included expenses and revenues for services provided to non-Los Angeles County placed youth. The GH Contract Section 24 requires agencies to report expenditures and revenues for children placed by Los Angeles County only.

In addition, as previously noted, Phoenix allocated shared costs to the DMH and GH Programs using undocumented allocation percentages. As a result, Phoenix needs to revise their accounting records based on our recommendations above, and provide DMH the revised Cost Reports for FYs 2012-13 and 2013-14 and repay DMH for any excess amounts received. Phoenix also needs to provide DCFS the revised GH SAERs for FYs 2012-13 and 2013-14 and a plan of how they will utilize unspent funds, if applicable.

Recommendations

Phoenix Houses of Los Angeles, Inc. management:

9. **Ensure the Group Home Semi-Annual Expenditure Reports include expenses and revenues for Los Angeles County placed youth only and provide the Department of Children and Family Services the revised Group Home Semi-Annual Expenditure Reports for Fiscal Years 2012-13 and 2013-14 based on recommendations above, and a plan of how they will utilize unspent funds, if applicable.**

10. **Provide the Department of Mental Health the revised Cost Reports for Fiscal Years 2012-13 and 2013-14 based on recommendations above, and repay the Department of Mental Health for any excess amounts received.**

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Phoenix House
Rising Above Addiction

May 19, 2015

John Naimo
County of Los Angeles
Department of Auditor-Controller
Countywide Contract Monitoring Division
350 South Figueroa Street, 8th Floor
Los Angeles, Ca 90071

RE: FY 2012-13 and FY 2013-14 Fiscal Review

Please find attached the corrective Action Plan for the year end 2012-2013 and year end 2013-2014 fiscal review performed by Department of Auditor – Controller.

Sincerely

for Aracely Mayoral

Aracely Mayoral

Controller

Phoenix Houses of Los Angeles, Inc.

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Recommendation

1. Phoenix Houses of Los Angeles, Inc. management ensure reconciliations are signed and dated by the preparer and reviewer, and that outstanding items are resolved timely.

Corrective Action

Phoenix Houses of Los Angeles, Inc. will ensure reconciliations are signed and dated by the preparer and reviewer in a timely manner. Phoenix House will also ensure that outstanding items are resolved and cleared in a timely manner.

Recommendation

2. Reduce the Fiscal Year 2012-13 Department of Mental Health Cost Report by $14,888 ($10,649 + $4,000 + $239) and the Fiscal Year 2013-14 Department of Mental Health Program Cost Report by $9,339 ($8,867 + $472) and repay the Department of Mental Health for any excess amounts received.

Corrective Action

Phoenix House will reduce Department of Mental Health Cost report for Fiscal Year 2012-2013 upon final issuance of Audit report and in agreement with Department of Mental Health the amount of $14,888.

Phoenix House has reduced the Department of Mental Health Cost report for fiscal Year 2013-14 by $9,339.

Recommendation

3. Repay the Department of Children and Family Services $799 ($772 unsupported + $27 unallowable) in expenditures.

Corrective Action

Phoenix House has reimbursed Department of Children and Family Services $799 for the unsupported and unallowable expenditures.

Recommendation

4. Ensure expenditures that are charged to the Group Home and Department of Mental Health Programs are allowable and supported with adequate documentation.

Corrective Action

Phoenix House will review expenses and ensure they are allowable and have appropriate documentation.

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Recommendation

5. Determine if related party lease costs charged to the Group Home and Department of Mental Health Programs exceeded allowable limits, and if applicable, repay the Department of Children and Family Services the unallowable costs charged to the Group Home Program and reduce the Department of Mental Health Costs Reports for unallowable costs charged to the Department of Mental Health Program.

Corrective Action

Phoenix House will review related party lease costs charged to the Group Home and Department of Mental Health contract and determine which costs are allowable and within the allowable limits. Once analysis is complete and Phoenix House determines there are unallowable costs, Phoenix House will revise and or reduce costs reports for the Group Home Program and Department of Mental Health Program also submit payment to the Department of Children and Family Services for any unallowable charges.

Recommendation

6. Reallocate allowable shared expenditures using an equitable basis that is supported with documentation.

Corrective Action

Phoenix House has implemented and allowable shared expenditure using an equitable basis that is supported with documentation as of July 1, 2014. Phoenix House will reallocate shared expenditures for fiscal year 2012-2013 and fiscal year 2013-2014 using an allowable methodology and will maintain the supporting documentation for both years.

Recommendation

7. Ensure employees' timecards are signed by the employees and their supervisors.

Corrective Action

Phoenix House will ensure employees timecards are signed by employees and their supervisors. Phoenix House Human Resource department will send weekly reminders to employee and their supervisors of their requirement to sign their timecards.

Recommendation

8. Maintain the required documentation in employees' personnel files including current salary rates, employment eligibility records and licenses/degrees for all employees working on Department of Mental Health and Group Home Programs.

Corrective Action

Phoenix House will maintain all required documentation in employees' personnel files for all employees

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Recommendation

9. Ensure the Group Home Semi-Annual Expenditure Reports include expenses and revenues for Los Angeles County placed youth only and provide the Department of Children and Family Services revised Group Home Semi-Annual Expenditure Reports for FY 2012-13 and FY 2013-14 based on recommendations above, and a plan of how they will utilize unspent funds, if applicable.

Corrective Action

Phoenix House will ensure the Group Home Semi-Annual Expenditure Reports include only expenses and revenues for Los Angeles County place youth. Phoenix house will revise Group Home Semi-Annual Expenditure Reports for Fiscal Year 2012-2013 and Fiscal Year 2013-2014 and include a plan on how to utilize unspent funds if applicable

Recommendation

10. Provide the Department of Mental Health revised Cost Reports for Fiscal Years 2012-13 and 2013-14 based on recommendations above, and repay the Department of Mental Health for any excess amounts received.

Corrective Action

Phoenix House will revise Department of Mental Health cost reports for Fiscal Years 2012-13 and 2013-14 based on recommendations and final audit report.

County of Los Angeles
DEPARTMENT OF CHILDREN AND FAMILY SERVICES

425 Shatto Place, Los Angeles, California 90020
(213) 351-5602

PHILIP L. BROWNING
Director

May 21, 2015

PHOENIX HOUSES OF LOS ANGELES, INC. – A DEPARTMENT OF MENTAL HEALTH AND DEPARTMENT OF CHILDREN AND FAMILY SERVICES PROVIDER – FISCAL COMPLIANCE REVIEW

The Department of Children and Family Services (DCFS) reviewed the Corrective Action Plan submitted by Phoenix Houses of Los Angeles, Inc. on May 20, 2015, in response to the Auditor-Controller's fiscal compliance review. Of the 12 recommendations noted in the report, only 10 recommendations were related to the DCFS contract. The status of each recommendation related to the DCFS contract is as follows:

- 10 Recommendations (1-10) were fully addressed.
- __ Recommendations (______) were partially addressed.
- __ Recommendations (______) directed to the Department were addressed.

Recommendation Status

1. **Phoenix Houses of Los Angeles, Inc. management ensure reconciliations are signed and dated by the preparer and reviewer, and that outstanding items are resolved timely.**

   Agency Proposed FCAP: Phoenix Houses of Los Angeles, Inc. will ensure reconciliations are signed and dated by the preparer and reviewer in a timely manner. Phoenix House will also ensure that outstanding items are resolved and cleared in a timely manner.

   DCFS Response: Fiscal Compliance staff will conduct an on-site review within 90 days to ensure compliance with implementation of the corrective actions

2. **Phoenix House of Los Angeles, Inc. management reduce the Fiscal Year 2012-13 Department of Mental Health Cost Report by $14,888 ($10,649 + $4,000 + $239) and the Fiscal Year 2013-14 Department of Mental Health Program Cost Report by $9,339 ($8,867 + $472) and repay the Department of Mental Health for any excess amounts received.**

   Agency Proposed FCAP: Phoenix House will reduce Department of Mental Health Cost report for Fiscal Year 2012-2013 upon final issuance of Audit report and in agreement with

Department of Mental Health the amount of $14,888. Phoenix House has reduced the Department of Mental Health Cost report for fiscal Year 2013-14 by $9,339.

DCFS Response: Recommendation is not related to the DCFS contract.

3. **Phoenix House of Los Angeles, Inc. management repay the Department of Children and Family Services $799 ($772 unsupported + $27 unallowable) in expenditures.**
Agency Proposed FCAP: Phoenix House has reimbursed Department of Children and Family Services $799 for the unsupported and unallowable expenditures.

DCFS Response: DCFS received a check in the amount of $799.

4. Phoenix House of Los Angeles, Inc. management ensure expenditures that are charged to the Group Home and Department of Mental Health Programs are allowable and supported with adequate documentation.

Agency Proposed FCAP: Phoenix House will review expenses and ensure they are allowable and have appropriate documentation.

DCFS Response: Fiscal Compliance staff will conduct an on-site review within 90 days to ensure compliance with implementation of the corrective actions.

5. Phoenix House of Los Angeles, Inc. management determine if related party lease costs charged to the Group Home and Department of Mental Health Programs exceeded allowable limits, and if applicable, repay the Department of Children and Family Services the unallowable costs charged to the Group Home Program and reduce the Department of Mental Health Costs Reports for unallowable costs charged to the Department of Mental Health Program.

Agency Proposed FCAP: Phoenix House will review related party lease costs charged to the Group Home and Department of Mental Health contract and determine which costs are allowable and within the allowable limits. Once analysis is complete and Phoenix House determines there are unallowable costs, Phoenix House will revise and or reduce costs reports for the Group Home Program and Department of Mental Health Program also submit payment to the Department of Children and Family Services for any unallowable charges.

DCFS Response: Fiscal Compliance staff will conduct an on-site review within 90 days to ensure compliance with implementation of the corrective actions.

6. **Phoenix House of Los Angeles, Inc. management reallocate allowable shared expenditures using an equitable basis that is supported with documentation.**

Agency Proposed FCAP: Phoenix House has implemented and allowable shared expenditure using an equitable basis that is supported with documentation as of July 1, 2014. Phoenix House will reallocate shared expenditures for fiscal year 2012-2013 and fiscal year 2013-2014 using an allowable methodology and will maintain the supporting documentation for both years.

DCFS Response: Fiscal Compliance staff will conduct an on-site review within 90 days to ensure compliance with implementation of the corrective actions.

7. **Phoenix House of Los Angeles, Inc. management ensure employees' timecards are signed by the employees and their supervisors.**

   Agency Proposed FCAP: Phoenix House will ensure employees timecards are signed by employees and their supervisors. Phoenix House Human Resource department will send weekly reminders to employee and their supervisors of their requirement to sign their timecards.

   DCFS Response: Fiscal Compliance staff will conduct an on-site review within 90 days to ensure compliance with implementation of the corrective actions.

8. **Phoenix House of Los Angeles, Inc. management maintain the required documentation in employees' personnel files including current salary rates, employment eligibility records and licenses/degrees for all employees working on Department of Mental Health and Group Home Programs.**

   Agency Proposed FCAP: Phoenix House will maintain all required documentation in employees' personnel files for all employees.

   DCFS Response: Fiscal Compliance staff will conduct an on-site review within 90 days to ensure compliance with implementation of the corrective actions.

9. Phoenix House of Los Angeles, Inc. management ensure the Group Home Semi-Annual Expenditure Reports include expenses and revenues for Los Angeles County placed youth only and provide the Department of Children and Family Services revised Group Home Semi-Annual Expenditure Reports for FY 2012-13 and FY 2013-14 based on recommendations above, and a plan of how they will utilize unspent funds, if applicable.

   Agency Proposed FCAP: Phoenix House will ensure the Group Home Semi-Annual Expenditure Reports include only expenses and revenues for Los Angeles County placed youth. Phoenix House will revise Group Home Semi-Annual Expenditure Reports for Fiscal Year 2012-2013 and Fiscal Year 2013-2014 and include a plan on how to utilize unspent funds if applicable

   DCFS Response: Please submit copies of the revised Semi Annual Expenditure Reports to the Fiscal Compliance Unit by July 31, 2015. Fiscal Compliance staff will conduct an on-site review within 90 days to ensure compliance with implementation of the corrective actions.

10. **Phoenix House of Los Angeles, Inc. management Provide the Department of Mental Health revised Cost Reports for Fiscal Years 2012-13 and 2013-14 based on recommendations above, and repay the Department of Mental Health for any excess amounts received.**

    Agency Proposed FCAP: Phoenix House will revise Department of Mental Health cost reports for Fiscal Years 2012-13 and 2013-14 based on recommendations and final audit report.

    DCFS Response: Recommendation is not related to the DCFS contract.